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FISHING INDUSTRY OF ICELAND, 1972

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FISHING INDUSTRY OF ICELAND, 1972

Salvatore Di Palma

SUMMARY

In 1972, Iceland's fish catch was 739,000 metric tons, the highest since 1967. However, low-value capelin accounted for most of the increase whereas landings of the more important high-value cod were again down to 1968 levels. The value of exports was $141 million, a new high. The United States took 40 percent, primarily frozen cod fillets and blocks. The 9 members of the European Economic Community (EC) took 25 percent.

During the latter part of 1972, delivery began of the 34 new stern trawlers ordered from foreign yards. Modernization of plants continued as processors sought to improve plant operation.

On September 1, 1972, Iceland extended its fishery limits to 50 nautical miles. Efforts to reach an understanding with the two major foreign fleets, the United Kingdom (U.K.) and West German, on fishing inside the new limits failed, and the matter has been strongly contested. The dispute has held up implementation of a trade agreement reached between Iceland and the EC.

The outlook for 1973 is good. Mainland processing plants have absorbed a large part of supplies normally taken by the Heimaey Island plants closed by volcanic action, and the Westmann Island fleet is fishing out of other ports. Capelin landings were up sharply in early 1973. Cod landings were down during the first 3 months but may improve as the new trawlers are added to the fleet. Exports should continue strong as world prices remain high, especially for cod products.

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CATCH

The Icelandic fish catch increased by 8 percent to 739,000 metric tons in 1972, the largest catch since 1967. The value of the catch also increased and is expected to surpass the record US$65.5 million set in 1971.

Most of the Icelandic fish catch is taken from the fishing grounds surrounding Iceland, but some 60 vessels fished for herring in the North Sea and adjacent waters during 1972. Small quantities of groundfish were taken in the East Greenland and Newfoundland areas.

Landings of cod were down to 232,000 tons in 1973, although the value rose. Most of the cod was taken in Icelandic waters; some was taken off East Greenland. The set-net fishery of March and April accounts for a major part of the landings. Trawling and set lining are other important methods used in the cod fishery.

A 52-percent increase in the capelin catch contributed the major gain in the total catch (278,000 tons). The herring catch, taken mostly in the North Sea area, was less than in 1971; nearly all the herring was landed for human consumption, mostly in Denmark but also some in West Germany and Scotland.

Landings of lobster (Nephrops) were down in quantity but up in value. Shrimp landings were down. However, the developing scallop fishery again improved sharply.

Table 1.--Iceland: Catch of fish and shellfish, 1969-72

Species	1969	1970	1971	1972	Jan-Dec '71	Jan-Oct '72
	--- 1,000 metric tons ---				-------US$1,000-------	
Demersal:						
Cod	287	308	255	232	28,354	30,132
Haddock	35	32	32	29	5,128	4,411
Saithe	54	64	60	60	5,676	5,280
Ocean perch	29	25	32	33	3,694	3,914
Ling	9	8	9	1/	857	614
Plaice	11	8	7	1/	1,310	691
Greenland halibut	6	7	5	1/	757	691
Other demersal	20	22	21	45	1,891	2,140
Total demersal	451	474	421	399	47,667	47,873
Pelagic:						
Herring	47	41	61	43	9,520	5,498
Capelin	171	192	183	278	3,256	4,386

(continued)

1/ Included in other demersal.

Table 1.--Iceland: Catch of fish and shellfish, 1969-72 (Continued)

Species	1969	1970	1971	1972	Jan-Dec '71	Jan-Oct '72
	---- 1,000 metric tons ----				--------US$1,000------	
Shellfish:						
Lobster (Nephrops)	3.5	4.0	4.7	4.3	2,421	3,296
Shrimp	3.3	4.5	6.5	5.0	1,477	1,071
Scallop	0.4	2.4	3.7	6.5	387	885
Other	3	6	4	3	818	141
Total	688.2	733.9	683.9	738.8	65,546	63,150

NOTE: Value for full year in 1971 and only 10 months in 1972.

Source: AEGIR, Nr. 17-18, October 1972.

The outlook for 1973 is good despite the lack of production at plants on Heimaey Island. Landings of capelin increased to 404,099 tons in January-March 1973 compared with 277,655 tons in 1972. Cod landings were down for the first 2 months. The main season, March through the middle of May, should be an important indicator of the 1973 cod landings. The addition of several modern stern trawlers adds an unknown but plus factor to the cod picture. Nevertheless, early indications point to lower cod landings and further decreases in exports of cod products to the United States. Assessments of the resources of Icelandic waters indicate that the catch rate for the most important single species, cod, is unlikely to be maintained.

Frozen fish markets were very good, but in spite of favorable prices a considerable decrease is noted in the use of raw fish for freezing. No recovery in herring stocks is evident in the immediate future. On the whole, except for the high prices, the development of the Icelandic fisheries has been unfavorable and no signs of improvement can be seen for the immediate future. The stocks of most major species seem to be weak, and others are becoming weaker.

LANDING PRICE SYSTEMS

In general, first-hand sales are made at prices that the Fish Price Council agrees to for a season or period. The Council includes representatives of the fishermen, vessel owners, plants, and exporters. When the Council cannot agree on prices, the dispute is heard by a special appeal committee; the director of the Economic Research Department, Economic Development Institute, is the chairman and holds the deciding vote on the committee.

The catch guarantee fund provides for a minimum level of earnings for vessels and fishermen. The program was established by a 1949 law and is administered by the Iceland Fisheries Association. For each season, basic catch earnings are established according to class and size of vessels, gear, and areas. Should a vessel meeting specific conditions earn less than 75 percent of the basic earnings established, a percentage of the amount between the actual earnings and the 75 percent figure is made to the vessel out of the fund. Usually, only a few limited situations meet the criteria during any year and require payments. Funds to pay compensation come from a small share of the levy imposed on fish exports.

EXPORTS OF FISH AND SHELLFISH

In 1972, the quantity of exports rose 3 percent to 281,944 metric tons; the value was up 11 percent to US$141,410,000 (table 2). The value of frozen fish fillet exports rose 4 percent despite a 3-percent decline in quantity. Cod fillets comprised the bulk of fillet exports; more than half was reportedly frozen blocks of fillets that are used for further processing. Rising exports of capelin meal and oil accounted for much of the increase in quantity. A doubling in exports of frozen scallops denotes the high level of interest in expanding this previously unutilized fishery resource.

The United States was again the most important market for Iceland's fish products. As usual, frozen fillets and blocks were by far the major component (table 3). The American market also took all but a negligible amount of the scallop exports; high United States prices for scallops triggered Icelandic interest in scallops.

Table 2.--Iceland: Exports of fish and shellfish, 1971 and 1972

Product	1971		1972	
	Metric tons	US$1,000	Metric tons	US$1,000
Fresh herring 1/	33,986	22,085	31,738	27,178
Fresh fish, other 2/	47,879	7,072	38,010	6,144
Frozen fillets & blocks	18,359	4,631	16,786	4,617
Frozen fish, other	69,533	58,294	67,234	60,530
Salted & dried fish 3/	13,833	3,429	12,659	4,185
Frozen lobster (Nephrops)	1,120	4,988	1,329	6,955
Frozen shrimp	1,110	3,249	1,221	3,683
Frozen scallops 4/	362	1,012	739	2,850
Canned fish	1,116	2,035	1,362	2,637

(continued)

1/ Landed directly in Denmark for human consumption.
2/ Landed directly in the United Kingdom and Western Germany.
3/ Cod and other demersal species.
4/ Includes negligible amount of fresh scallops.

Table 2.--Iceland: Exports of fish and shellfish, 1971 and 1972 (Continued)

Product	1971		1972	
	Metric tons	US$1,000	Metric tons	US$1,000
Cod meal 5/	29,622	5,469	27,607	5,442
Capelin meal	26,825	5,218	42,212	7,118
Fish meal, other	5,392	883	5,699	1,236
Fish oils 6/	7,421	1,694	13,354	1,707
Other	17,187	6,878	21,994	7,128
Total	273,745	126,937	281,944	141,410

5/ Meal from offal.
6/ Except fish liver oil.

Source: Statistical Bureau of Iceland.

Table 3.--Iceland: Exports of fish and shellfish to the United States, 1971-72

Product	1971		1972	
	Metric tons	US$1,000	Metric tons	US$1,000
Frozen fillets & blocks	53,230	47,876	45,531	46,748
Frozen lobster (Nephrops)	752	3,747	845	5,086
Frozen scallops	362	1,012	739	2,850
Other	1,598	1,302	2,200	1,514
Total	55,942	53,937	49,315	56,198

Source: Statistical Bureau of Iceland.

Table 4 shows the principal destinations of Iceland's fishery products. In 1972, the United States took 40 percent by value; the expanded EC, 25 percent; and the Soviet Union, 8 percent.

Table 4.--Iceland: Exports of fish and shellfish, 1972, by major destination.

Destination	Exports			
	Metric tons	Percent	US$1,000	Percent
West Germany	17,807	6	9,137	7
Other EC (6)	16,764	6	6,083	4
Total EC (6)	34,571	12	15,220	11
United Kingdom	41,617	15	11,880	8
Denmark	45,098	16	8,655	6
Total EC (9)	121,286 1/	43	35,755 1/	25
United States	49,315	17	56,198	40
Soviet Union	18,770	7	11,754	8
Other	92,572	33	37,707	27
Total	281,943	100	141,414	100

1/ Includes exports to Ireland.

Source: Statistical Bureau of Iceland.

Currency changes during the first few months of 1973 gave the Icelandic exporters an edge over competitors from other areas in the U. S. market for fish fillets and blocks. The Icelandic kroner was devalued from 87 to 96 kroner to the United States dollar in December 1972 but was revalued to 91 to the United States dollar effective April 30, 1973.

FISCAL SCHEMES AFFECTING EXPORTS

Exports levies are placed on fishery products. The levies vary from fixed amounts, including a 3.9-U.S. cent per kilogram on frozen cod fillets and blocks, to ad valorem rates, e.g., 8 percent on the FOB value of fish oils. The funds collected go primarily (85 percent) to pay insurance premiums on the fishing fleet. The Fishery Loan Fund received 9.4 percent, and the rest is divided among five other recipients.

An export price equalization scheme was put into operation several years ago. A 1969 law guarantees funds for fish and shellfish exports. Large swings in the value of fishery exports cause similar swings in the Icelandic economy as a whole. Sharply increased export earnings bring an inflationary pressure; sharp decreases, a deflationary reaction. The 1967 and 1968 setbacks in earnings from those of 1966 prompted the law.

Before each season or year, the Board of the Price Equalization Fund sets basic prices. The Board includes representatives of fishermen, processors, exporters, and government. There are three basic funds--one each for frozen fish, meal and oil, and salted and dried fish. If prices received for exports are above the basic price, 50 percent of the difference is paid to the exporter out of the fund. For example, during the 1972 meal and oil season, payments were made out of the fund whereas during the 1973 season, payments were made into the fund. When the credit balance in the funds is large, the basic prices tend to be set close to expected export prices.

ICELAND AND EC TRADE AGREEMENT

On July 22, 1972, Iceland signed an agreement with the European Economic Community (EC) concerning trade concessions. Briefly, the agreement provides for the elimination or reduction to low levels, of the duties on a limited number of manufactured products from the EC in return for concessions on the Community's duty level on fishery products from Iceland. The duties had been scheduled to be reduced in five equal installments starting April 1, 1973, and ending July 1, 1977. Activation of the reductions on marine products is being delayed during the continued dispute between Iceland and EC member states over the fishing limits issue.

The more important concessions on EC duty levels included those on frozen fish fillets and blocks, frozen shrimp, and preserved herring. A listing of existing EC duty levels and the proposed EC rates on major items follow; existing U.S. duty rates are also shown for comparison.

Product	Comparable U.S. duty rate	EC duty rate	
	present 1/	present	July 1, 1977
Frozen fish fillets	1.875-2.5¢ per lb.	15-18%	free
Frozen fish fillet blocks	free	15-18%	free
Ocean perch-fresh, iced or frozen	free	8%	2%
Cod, haddock, saithe-iced or frozen, whole	free	15%	3.75%
Roe and liver-fresh, frozen or salted	2¢ per lb.	10-11%	free
Frozen shrimp	free	12%	free
Fish liver oil	0 - 2.5% 2/	0- 6%	free
Hardened fish oil	3/	17-20%	free
Caviar & preserved roe	2.5% 4/	30%	free
Preserved herring	0 - 6%	20%	10%
Canned shrimp, lobster and scallops	free	16-20%	free
Fish meal	free	2%	free

1/ At present prices, effective rate less than 5 percent ad valorem.
2/ Cod liver oil is free.
3/ Not shown separately.
4/ If in airtight container, 2 cents per lb. (Does not include sturgeon caviar).

PROCESSING

Frozen fish products account for about half the processed fish production. The major share of such products comprise frozen cod fillets and blocks. Frozen fish and shellfish are exported through either Samband (Cooperative) of Iceland or the Icelandic Freezing Plants Corporation.

Salting and drying are still relatively important methods of curing especially when landings temporarily exceed frozen fish processing capacity; in addition, a few firms and individuals continue their traditional salting and drying operations.

The meal and oil industry is enjoying a good year in 1973, from a combination of high world prices and increased landings of capelin. Fish meal production was 74,959 tons in 1972, 11 percent over 1971; however, this production is still substantially below the record years 1964-66.

Canning is only a minor part or the fish processing industry. To expand the canning industry, the Icelandic Waters Corporation was established in 1972 to help increase production of canned and semipreserved fish and to promote exports of such products. At present, the Corporation has 24 participants, 10 of which are actively producing for export. Headquarters of this new corporation is 37 Gardaestraeti, Reykjavik, Iceland.

The volcanic action on Heimaey Island was a setback to Iceland's fish processing capacity. A number of the best processing facilities were closed down as a result of the eruption from the volcano. However, the loss of catch was minimized, because the Heimaey based fleet fished out of other ports and delivered their catches to processing plants in mainland ports.

FISHING FLEET

The Icelandic fishing fleet consists of three main groups (1) the high-seas trawlers, (2) multipurpose vessels of more than 100 GRT, and (3) multipurpose vessels under 100 GRT. The number of trawlers in operation has decreased since 1960 to about 22 vessels in 1971. Of the present fleet, 19 vessels averaged about 700 GRT, the remaining three are 985 GRT each. Most of vessels withdrawn from the fleet were over 20 years old. The number of multipurpose vessels of over 100 GRT has increased significantly. Initially these vessels purse seined herring, but when the Icelandic herring fishery declined, some 70 to 80 of the largest vessels turned to seining for capelin or North Sea herring. Many switch to gill netting in April and May and even to long-lining and trawling in certain periods. Some 540 multipurpose inshore vessels catch cod, herring, capelin, and lobster. The trawler building program will replace some of the old side-trawlers as well as some of the larger herring vessels from the 1960's.

The size of the Icelandic fishing fleet is shown in the following summary of motorized vessels as of December 31, 1972:

Size range (in GRT)	Number of vessels	Total GRT
0-50	448	7,730
51-150	245	20,440
151-500	146	35,415
501-1800	24	17,797

In addition, 1,034 open motor craft totaled 3,246 GRT. Of the 170 vessels, 151 GRT and over, about 50 were 20 years and older including nearly all the vessels over 500 GRT.

In Iceland, the trawler fleet refers only to vessels over 500 GRT. The figure 500 GRT for trawlers was arrived at by an industry decision after a law was passed regulating working conditions of fishermen on board vessels. In 1972, the trawler fleet accounted for 62,250 tons of fish, about 9 percent of the total catch; of this amount, 12,280 tons were landed in foreign countries. Many vessels under 500 tons are either regular trawlers or trawl seasonally. In 1972, thirty-two vessels were listed as trawling full or the major part of the time.

A sharp revival of interest in trawlers occurred about 1970 after many years of preoccupation with the modern herring purse seiners. Improved world prices for cod and other frozen fish helped spur the interest. At least 34 modern stern trawlers have been ordered from foreign yards; several second-hand vessels were also purchased. All the new craft are fresh fish boats. The six 942 GRT Spanish-built vessels and the five 750 GRT Polish vessels fit the arbitrary definition for inclusion in the trawler fleet. Twenty-two other new stern trawlers, ranging from 400 to 480 GRT, fit the fishing boat category which includes all types of craft from several tons to 500 GRT.

The new units being added to the fleet are expected to draw fishermen from the older and less efficient units. In addition, the new trawlers, especially those connected with shore plants, are being counted upon to help even out supplies of cod and other demersal species over the entire year. At present, the freezing plants have oversupplies during March and April and shortages of raw fish during most of the remaining months.

The changes in the fleet represent an increased and more efficient trawling capacity. In the face of predicted lower stock abundance for the near future on the Icelandic grounds, the industry expected to utilize the extra capacity on resources which it hopes to be available from reduced fishing by foreign vessels inside Iceland's newly claimed fishery limits.

Purse seiners equipped with power blocks comprise most of the other large units in the fleet. Many seiners were built from 1964 to 1966 during the herring boom and are now primarily used for capelin fishing and for pelagic fishing in the North Sea area. There is considerable re-gearing of smaller vessels depending upon the season. For example, smaller seiners may convert to trawling and set lining while trawlers may convert set-net or set-line fishing for part of the year.

FISHERY LIMITS

On September 1, 1972, Iceland extended its fishery limits to 50 nautical miles. The basic arguments given for the move were conservation of over-exploited fish stocks and the economic needs of the Icelandic people. The strongest protests to the move came from U.K. and the Federal Republic of Germany whose fishing fleets are very active in the area; the issue has been in serious dispute since September 1972. An agreement was reached with Belgium and the Faroe Islands whose fishermen have a modest fishing effort on the Icelandic grounds.

The waters around Iceland have been fished in recent years mainly by Iceland, U.K., and Western Germany. These countries catch 98 percent of the total catch of cod from Iceland grounds. Iceland takes 60 to 70 percent of the total catch. The U.K. catch has been about 25 to 30 percent, and West Germany's 5 to 7 percent. Other countries regularly fishing this area have been Belgium, Faroe Islands, and U.S.S.R. Norway, France, and the Netherlands occasionally fish in the area on a much smaller scale.

The cod fishery can be considered as two sectors, that in the spring for spawning cod off the southwest coast of largely by Icelandic vessels and that around the island year around for nonspawning cod in which Iceland's fleet is joined by trawlers from other countries, mainly working on the immature cod.

Annual production of cod has varied around 390,000 metric tons since 1960. From 1964 to 1967, the catch declined from 434,000 tons to 345,000 tons owing to the absence of good year classes in the spawning fishery. Since then, a good 1964 year class and several good year classes which had migrated to Iceland from East Greenland raised the catches to 471,000 tons in 1970, the high level since 1960. Since 1970, the catch has declined.